

## Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 /088 W

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R 031125Z DEC 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1572

TREAS DEPT WASHDC

INFO USMISSION EC BRUSSELS

AMEMBASSY CARACAS

USMISSION OECD PARIS

AMCONSUL TURIN

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TREASURY FOR WIDMAN; PASS FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: EXCHANGE MARKET DEVELOPMENTS: FIAT; VENEZUELA; CAPITAL  
FLIGHT AMNESTY

1. SUMMARY. DIRECTOR GENERAL OF BANK OF ITALY, ERCOLANI, TOLD  
TREASATT DECEMBER 3 THAT PROCEEDS OF LIBYAN INVESTMENT IN FIAT  
WOULD LIKELY BE RECEIVED IN EXCHANGE MARKET LATE IN JANUARY.  
HE SAID THAT NO LOAN OR DEPOSIT HAD AS YET BEEN MADE BY VENEZUELA,  
AS HAD BEEN SUGGESTED DURING RECENT VISIT OF VENEZUELAN PRESIDENT.  
WHILE PRECISE AMOUNT OF CAPITAL INFLO FROM EXCHANGE CONTROL AMNESTY  
NOT YET CLEAR, ESTIMATES RANGE AS HIGH AS \$1 BILLION OR MORE.  
END SUMMARY.

2. FIAT OPERATION. AS REPORTED SEPTELS, TOTAL POTENTIAL FOREIGN  
EXCHANGE RECEIPTS FROM LIBYAN INVESTMENT IN FIAT ARE ABOUT \$415  
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MILLION, CONSISTING OF: (A) ABOUT \$208 MILLION IN DIRECT INVEST-

MENT IN SHARES; (B) ABOUT \$103 MILLION IN CONVERTIBLE BOND ISSUE, AND (C) ABOUT \$104 MILLION IN DOLLAR LOAN. THERE SHOULD BE ACUTAL EXCHANGE MARKET RECEIPTS FROM FIRST TWO ITEMS. HOWEVER, DISPOSITION OF PROCEEDS OF DOLLAR LOAN IS NOT YET CLEAR. REPORTEDLY, FIAT SUGGESTED THAT BANK OF ITALY ACCEPT PROCEEDS OF LOAN BUT ALSO ASSUME FOREIGN EXCHANGE RISK ON AMORTIZATION PAYMENTS. ERCOLANI SAID THAT BANK DOES NOT INTEND TO PROVIDE EXCHANGE GUARANTEE FOR PRIVATE TRANSACTION. IF FIAT WISHED TO DEPOSIT DOLLAR PROCEEDS WITH BANK OF ITALY, EXCHANGE RISK QUESTION WOULD NOT ARISE. HOWEVER, IF FIAT WERE TO CONVERT PROCEEDS INTO LIRE, THAN FIAT WOULD HAVE TO BEAR EXCHANGE RISK. THIRD ALTERNATIVE WOULD BE THAT FIAT HOLDING COMPANY OUTSIDE ITALY WOULD BENEFIT FROM DOLLAR LOAN AND WOULD USE PROCEEDS OUTSIDE ITALY. ERCOLANI INDICATED THAT BANK DID NOT EXPECT TO RECEIVE FOREIGN EXCHANGE FROM FIAT TRANSACTIONS BEFORE SECOND HALF OF JANUARY, ON ASSUMPTION THAT INTERMINISTERIAL CREDIT COMMITTEE APPROVAL OF CAPITAL INCREASE MIGHT NOT BE ACTED ON UNTIL THEN.

3. VENEZUELAN FOREIGN CURRENCY DEPOSIT. TREASATT ASKED ERCOLANI AGAIN WHETHER THERE WERE ANY NEW DEVELOPMENTS ON PROPOSAL BY VENEZUELAN PRESIDENT PEREZ DURING HIS RECENT VISIT TO LED OR DEPOSIT FOREIGN EXCHANGE WITH BANK OF ITALY. ERCOLANI SAID THAT HE DID NOT ANTICIPATE THAT VENEZUELAN WOULD SEND SOMEONE TO ROME TO DISCUSS MATTER AND NO DECISION HAD BEEN MADE AS YET WHETHER SOMEONE SHOULD GO FROM ROME TO CARACAS. HE SAID THAT, PERSONALLY, HE FOUND THE IDEA RATHER STRANGE.

4. CAPITAL FLIGHT AMNESTY. ITALIAN PRESS DISCUSSES AT SOME LENGTH ANTICIPATED RESULTS OF TEMPORARY CAPITAL FLIGHT AMNESTY WITH GENERAL THEME BEING ONE OF SURPRISE AT AMOUNT OF CAPITAL WHICH IS APPARENTLY BEING REPATRIATED TO ITALY. FOREIGN TRADE MINISTER OSSOLA HAS ALREADY INDICATED THAT ABOUT \$450 MILLION HAD BEEN RECEIVED BY NOVEMBER 19 DEADLINE (WHICH WAS LATER EXTENDED TO DECEMBER 3). (SEE ROME 19721.) HE ALSO SUGGESTED THAT TOTAL MIGHT EVENTUALLY REACH OVER \$1 BILLION. APART FROM REPATRIATION OF LIQUID HOLDINGS, PRESS REPORTS EXTENSIVE "RENATIONALIZATION" OF DISGUISED "FOREIGN" INVESTMENT IN ITALIAN BUSINESSES OR REAL ESTATE. FUTURE APPROACH OF TAX COLLECTORS TO SUCH PROPERTY, POSSIBILITY OF ASSESSMENT OF CIVIL OR CRIMINAL PENALTIES NOT RELATED TO EXCHANGE CONTROLS OR TAXES (E.G., RE FALSE BALANCE LIMITED OFFICIAL USE

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SHEETS), AND ALTERNATE INVESTMENTS IN ITALY OF REPATRIATED LIQUID FUNDS ARE OTHER THEMES MENTIONED.VOLPE

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## Message Attributes

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**Subject:** EXCHANGE MARKET DEVELOPMENTS: FIAT; VENEZUELA; CAPITAL FLIGHT AMNESTY  
**TAGS:** EFIN, IT, LY, FIAT  
**To:** STATE TRSY  
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